What a Railroad Terminal Means to a Community

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WHAT A RAILROAD TERMINAL MEANS TO A COMMUNITY.

From the earliest times the terminals of trade routes, where goods were transhipped and from which they were distributed, have been important centers of population and commerce. In the dawn of history, we find such terminals on the caravan routes of the East. Later, with the development of navigation, their larger growth was at the seaports and on navigable streams. In the era of railways we have a return to the building up of terminals independently of the waterways or in combination with water transportation, as at Knoxville.

Before the invention of the locomotive and when waterways were essential to economical long-distance transportation, the development of important industrial and commercial communities at a distance from navigable water was impossible. The railroad has changed all this, and, while prosperous cities with great manufacturing and commercial establishments flourish without water transportation, it would now be impossible to build up such a community without railroads. Thus, the inland waterway has become relatively less important than the railroad. It may supplement the railroad. For this reason, economically efficient waterways are desirable, and the improvement of the rivers and harbors of the United States is a proper function of the Federal government. To any inland community, however, efficient railroads are of much greater importance than any possible development of water transportation.

Looked upon only in its relation as a carrier, a railroad is essential to the progress and prosperity of the communities that it serves. But, considered as an industrial enterprise, through giving employment to large numbers of men and through its purchases of a great variety of commodities, it becomes an important factor in the business life of every community along its lines. This is particularly true of its terminal points, and I shall illustrate this by showing what the disbursements of the Southern Railway mean to the city of Knoxville. After we have gone over the figures, I believe that every one of you will agree that, aside from its indispensable service as a carrier, this railroad is the most important business institution in this community, and its prosperity is as important to you as to any other class of people.

When you buy a passenger ticket or pay a freight bill you may think of the money as going out of the community to find its way into the pocket of some stockholder or bondholder in a distant locality. But this is not what happens. Our total earnings at Knoxville, for freight and passenger service, which, in the last fiscal year, amounted to $2,410,235, are deposited in this city and are used in aid of the requirements of the Company for disbursements in this community. Most of it is needed for the payment of the Company's employees in and around this city.

There are, in round numbers, 3,000 names on our Knoxville payroll. On the basis of five to a family, this means that approximately 15,000 persons draw their support directly from the $2,258,222 per year which the Company pays as wages in this community. It has been estimated that there are 92,000 persons within the territory covered by the Knoxville city directory. More than one-seventh of this total population draw their living from the Southern Railway Company.

The first claim upon our resources, coming ahead even of the payment of wages, is for taxes, and in the last year the Company paid taxes in Knoxville and Knox County to the amount of $48,193.

Probably no other kind of business enterprise must buy so many different things and in such large quantities as a great railroad. It is the policy of the Southern Railway Company to buy materials and supplies of all kinds along the line of the road, as far as it is practicable to do so. Necessarily, larger quantities are bought at terminal points, and our miscellaneous purchases in the city of Knoxville amount to more than $175,000 a year.

You are fortunate in being located in a region rich in timber, of which the railroads are large users, and the Southern Railway's purchases of ties and lumber in Knoxville and the surrounding territory amount, at a conservative estimate, to a quarter of a million dollars a year. Your city is the banking and distributing center for the coal fields of the Tennessee District from which the Company buys large quantities of fuel coal at an annual expenditure of more than a million and a half dollars.

Summing up these items, we find that, without taking into account the large amounts expended for construction work in this locality, including our Belt Line River Front Extension and other important work, the direct disbursements of the Company in this community amount to

more than four and a quarter million dollars a year or nearly two million more than our total earnings in this city. I need not tell an audience of business men such as this what regular disbursements at a monthly rate of more than $350,000, month after month and year after year, mean to the city of Knoxville. A falling off in the business of the Company or any unfavorable condition affecting its financial resources and necessitating a curtailment of its activities in this locality would be a disaster to your city. On the other hand, favorable conditions, bringing prosperity to the Company and enabling it to expand its operations on all parts of the system, would be directly beneficial to this community.

You and the people of the other communities served by the Southern Railway System have this matter largely in your own hands. Such governmental regulation of railroads as may be necessary to prevent undue discrimination or charges that are exorbitant or unreasonably high is proper and is based on sound economic ground. But the inevitable effect of governmental regulation is to narrow the field of management. Hence, it has come about that, assuming intelligent and efficient management within the circumscribed field left to railroad officials, the question of whether or not a railroad is to be prosperous, able to render efficient service, and whether it shall not be under the necessity of curtailing its wage payments and its purchases of materials, is dependent upon governmental policies. In our country such policies are quickly responsive to public opinion, and the people who are directly interested have it in their power to make possible the provision of more efficient service and the maintenance of railroad wage-paying and purchasing power, through fostering railroad prosperity.

Promising, on behalf of the Southern Railway System, fair dealing with all men and a constant striving for increased efficiency and safety, it is with confidence that I ask that the people of Knoxville shall not be content with a mere passive acquiescence in the proposition that governmental regulation shall be just to the railroad as well as to the buyer of transportation, but that they shall be active, militant advocates of such justice. I refer here not to any one but to all the manifold manifestations of government regulation of railroads as it is now practised. They are all alike, in that they have their inspiration in public opinion, and it is to public opinion that we must look for fair and sympathetic consideration of the railroad problem, not merely to the delegates of

public opinion, be they the Interstate Commerce Commission, the State Railroad Commissions, the municipal Common Council, the Tax Board, or even Congress and the State Legislatures themselves. If we deserve fair treatment by giving it, then we are entitled to ask you to help us to get it in a broad way, looking to the future, and I am entering upon my new responsibilities with the belief that, in the respects to which I have invited your attention, I shall have the understanding and support of such men as I have the honor to meet here tonight.

Your interest, and that of every other community on our lines, in the prosperity of the Southern Railway System is two-fold. You are interested in the maintenance and increase of the Company's large disbursements in this community. You are interested in efficiency over the entire system. It is natural that the people of any locality shall fully appreciate the importance and desirability of railroad disbursements and improvements in their own immediate neighborhood. The railroad manager must take a broader view. He must consider the system as a whole in relation to available resources and give precedence to those betterments that will most facilitate the movement of its traffic as a whole. Taking this broad view, he may, at times, in the true and larger interest of the people of a community, run counter to local opinion. He may know, for instance, that the double-tracking of some pinch-point on the system many miles from Knoxville, by facilitating the prompt anl regular operation of passenger and freight service, would be of more real benefit to the people of this community as a whole than some local project that may be eminently desirable, but the relative importance of which may be magnified in local opinion by nearness of view. An illustration of this was the double-tracking of the line between Knoxville and Morristown. This was highly beneficial to the people of Knoxville, but the considerations that led to its construction were far broader than those involved in the movement of traffic to and from this city. They embraced the solution of the problem of the efficient movement through the Knoxville gateway of the general traffic of the system. Similarly, the construction of the Citico-Ooltewah double-track line was not merely a local improvement, but, by facilitating the movement of traffic between Knoxville and the Southwest through that funnel, was probably equally as important to this city as the Knoxville-Morristown work.

For the past week I have been on the line of the Southern Railway, meeting the people and observing conditions. Having seen little of this

section for the past three years, I am, perhaps, in a position better to appreciate the progress that is being made than those who have been on the ground and doing the work. My own observations, which are confirmed by reports of the United States Census Bureau and Agricultural Department, convince me that our section is advancing relatively more rapidly in agriculture and manufacturing than any other part of the United States. With our great advantages of soil, climate, raw materials, and power resources, this advance will continue. It will be reflected in an increasing demand for transportation service. The people of Knoxville, in common with those of every other community along our lines, will offer us more business. Recognizing our public duty, we have kept our facilities abreast of traffic requirements largely by plowing into the property earnings upon which the stockholders might have asserted a claim. This reinvestment in the past ten years has amounted to $27,000,000. In that period holders of the Company's common stock have received no dividends and the owners of its preferred shares have received a modest average of 3.05 per cent. Unlike the fairy God-mother of our childhood days, we can not, by the touch of a magic wand, convert a pumpkin into a steel passenger coach. If your progress is not to be retarded by the congestion of traffic on your highways to market, your railroads must be permitted to earn enough to continue, within reasonable limits, the reinvestment of earnings in the property and such fair returns to the owners of their securities as will encourage the continued investment of capital in railway enterprises.

The resulting improvement in transportation service and the enlarged disbursements for wages and materials will be an important factor in the greater prosperity of the entire South and especially of important terminal points such as Knoxville.